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**Before the
Interstate Commerce
Commission**

Matter of Increased Freight Rates

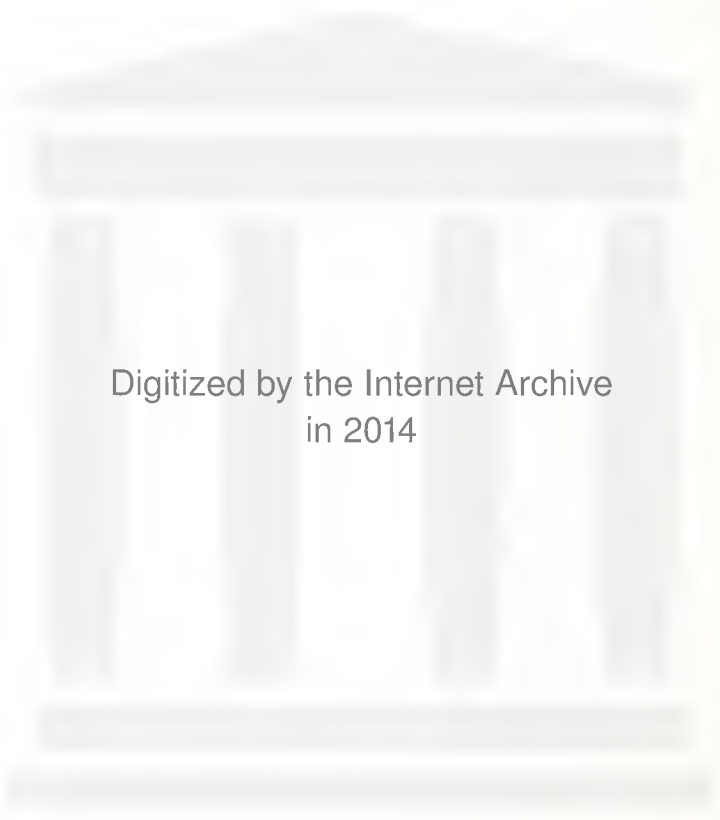
STATEMENT OF

E. T. LAMB

PRESIDENT OF

**ATLANTA, BIRMINGHAM & ATLANTIC
RAILWAY COMPANY**

May 8th, 1917



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Statement of E. T. Lamb, President of Atlanta, Birmingham & Atlantic Railway Company, before the Interstate Commerce Commission, May 8, 1917.

As this Honorable Commission has been previously informed, the Atlanta, Birmingham & Atlantic Railway Company, operating 637.6 miles of main track, with important terminals at Birmingham, Alabama, and Atlanta and Brunswick, Georgia, is the reorganized property of the Atlanta, Birmingham & Atlantic Railroad Company, Georgia Terminal Company and Alabama Terminal Railroad Company, said reorganization having been effective as of January 1st, 1916, at which time the fixed charges of the combined companies were reduced from \$1,515,221.70 per annum, or \$2,365.98 per mile, to \$204,500.00 per annum, or \$321.00 per mile, the holders of Receivers' Certificates accepting in exchange therefor \$5,200,000.00 of Income Bonds, upon which interest is to be paid only when earned. The new money with which to retire the outstanding obligations of the receivership, etc., and to provide necessary working capital, was raised by the distribution of \$30,000,000.00 of common stock among the original bondholders and Receivers' Certificate holders at the rate of \$12.00 per share in proportion to which said bonds and Receivers' Certificates were held.

It was anticipated at the time this new money was put up that at some time in the future, after the road had been built up from its earnings to a

fair standard of efficiency, its development would be such as to give to them a fair return, not only on this new investment, but also to some extent some return on money previously advanced in the construction of the property, which this Commission has stated in a tentative report would cost approximately \$29,000,000.00 to reproduce as of July 1st, 1914, although the original cost greatly exceeded this.

For the calendar year, which is the new fiscal year ending December 31st, 1916, the railway operating revenues of the Company, which were the best in the history of the Company, amounted to \$3,339,-839.86, of which amount \$2,513,722.64 was freight revenue. This amount is divided, \$729,265.89 intrastate freight revenue and \$1,786,456.75 interstate freight revenue. Notwithstanding an increase in freight and passenger earnings of \$482,132.68, there was an increase in the cost of conducting transportation of only \$19,873.99.

Comparing these figures with the figures for the month of March in the current year, in which month many of the increases in wages and fuel, supplies, etc., became effective, the cost of conducting transportation shows an increase of \$54,880.90 over the month of March last year. Notwithstanding there was a gross increase in freight and passenger earnings for that month of \$65,938.45, the increase in the net operating revenue of the Company was only \$7,086.66. In other words, the increase in transportation expenses for this month alone, which is the first month many of these increased items of expense have been applied, exceeded the increase

in the cost of conducting transportation for the twelve months ending December 31st, \$35,006.91.

This would seem to suggest that a real emergency exists which did not become evident until March 1st, and the necessity for immediate help is at hand.

It is hoped that the Fifteen Per Cent. increase asked for will at least partially absorb the extraordinary increase in expenses with which we are confronted, and which we estimate for the year ending December 31st, 1917, will be as follows:

Increase in wages resulting directly from the Adamson Law-----	\$ 50,466.96
Increase in wages of shop employes-----	25,000.00
Increase in wages of clerks, agents, etc.---	10,230.00
Increase in wages of other employes-----	10,000.00
Increase in cost of coal-----	201,701.65
Increase in cost of other materials and supplies -----	107,073.05
Increase in taxes-----	7,200.00
Total-----	<u>\$411,671.66</u>

Of approximately \$15,166.00 due to increase in wages in January, February and March, \$6,262.65 was charged out during the month of March and the balance will be prorated during the remaining nine months, in addition to the actual increases occurring in those respective months.

Of the increase in cost of fuel previously referred to, 62½ cents per ton of 2,000 pounds was effective under contracts dated March 1st, and 16 cents additional is effective May 1st. Practically all of this Company's coal originates at mines reached by its own rails.

There has been a large increase in the price of rails, from \$30.00 to \$40.00 per ton, or 33 1-3%.

There has also been an increase in the average price of cross-ties of 17.6%, which increase, based on the tie issues of the year 1916, will mean an increased cost to the Company of \$24,700.00 for the year 1917. Even at that price for ties, we are having great difficulty in securing our requirements and it looks as though, in order to get what we may actually need, it will be necessary to increase the price considerably in excess of this. Even then we will incur more or less difficulty in securing our requirements, due to the great shortage and inefficiency of labor with which we are now confronted. There is an exodus of negro labor from the South to the North by reason of the large increase in wages being paid for this class of labor by the manufacturing and other interests in that section, which the railroads of the South cannot afford to meet. This is not only having a serious effect on all of our unskilled labor, including section, station and shop labor, but is also seriously affecting the ability of the farmer along the line of this Company in properly cultivating his crops, and possibly contributing in that manner to a decrease in traffic.

What has been said by other carriers as to increase in cost of other supplies, in the way of equipment, plates, bolts, spikes, steel bars, stationery, etc., likewise applies to this Company. Only recently we were informed that the cost of a standard locomotive, delivery in ten months, that could have been bought in normal times for \$28,000.00, was now \$59,500.00.

The net income of the Company after the payment of interest on funded debt for the year ending December 31st, 1916, amounting to \$286,898.76, was expended for additions, improvements and betterments to bring the property up to a standard of development. In addition thereto approximately \$500,000.00, realized out of distribution of the capital stock, was so expended. It is anticipated that the earnings will hereafter be so applied until the property has reached a stage of development that would justify at least some reasonable return to the owners upon their investment of ten or twelve years standing without return.

It is estimated that the increase asked for will amount to approximately \$231,000.00, or \$180,671.66 less than the estimated increase in expenses.

